

HB 5521
Testimony before the Labor Committee
February 24, 2009

Good afternoon, my name is Mandi Jackson. I'm a research analyst for UNITE HERE, which represents nearly a half million workers in the hospitality and textile industries nationwide, as well as thousands of employees in hotels and food service throughout the state of CT, and at Yale University.

As a union that is deeply committed to equality in hiring, we strongly support Bill HB 5521, which would restrict the use of credit reports in the hiring process. As citizens of Connecticut and America face the worst economic crisis of our generation, now is precisely the time for our representatives to act to ensure that job opportunity is based on equality, not credit history.

We feel that credit reports should be banned from the hiring process for four main reasons.

First and most important, the use of credit in hiring discriminates against African American and Latino job applicants. The average credit score of African Americans is roughly 10% to 25% lower than that of Whites, while the average credit score for Latinos is roughly 5% to 25% lower than that of Whites, according to a 2004 study by the Texas Department of Insurance. The foreclosure crisis is exacerbating this trend, as African American and Latino home loan borrowers were more than twice as likely to receive high-cost home loans as white borrowers in 2006, according to ACORN's 2007 study entitled "Foreclosure Exposure: A Study of Racial and Income Disparities in Home Mortgage Lending in 172 American Cities." A foreclosure can cause a drop of 250 points on one's credit score, and will remain on one's credit history for seven years.

Second, credit checks in hiring create a fundamental "Catch-22" for job all applicants: I am behind on my bills because I lost my job or my hours were cut, so I can't get a job or a promotion because I'm behind on my bills. Using credit reports in hiring creates a permanent barrier to better jobs for a growing portion of Americans who are affected by this unprecedented credit crisis.

Third, credit reports have an accuracy problem. The Consumer Data Industry Association acknowledged that 8% of credit reports obtained by consumers between 2004 and 2006 were inaccurate; however a 2007 survey by pollster Zogby cited in Smart Money Magazine put that figure at 37%, with half of those consumers surveyed saying they could not easily correct the mistakes.

Fourth, credit reports were designed by TransUnion and other companies to predict whether a consumer would pay her bills on time, not whether she would perform her job duties successfully. Not a single study suggests a positive correlation between credit history and job performance, and the definitive study on this issue, presented to the American Psychological

Society in 2003, concludes that no correlation exists whatsoever. This makes sense intuitively: if your credit takes a dive because your son was in the hospital, are you less likely to be a reliable technician? If you go through a divorce that wrecks your credit, will you not make a good cashier?

Now is also not the time to put faith in the self-regulation of the credit reporting industry. **TransUnion**, one of the top three companies that sell credit reports, recently settled a class action with the largest class in U.S. history, which alleged that the company sold private information to targeted marketing companies without a permissible purpose and thus **violated the federal Fair Credit Reporting Act**. TransUnion did not admit any violations of the law. Moreover, TransUnion's Chief Executive Officer Siddharth Mehta comes out of the subprime lending business that has triggered this economic crisis. Mr. Mehta, who became TransUnion's CEO in 2007, had just resigned as Chairman and CEO of HSBC Finance (formerly known as Household Finance), after leading HSBC's foray into subprime lending and after its parent company wrote down \$10.6 billion of loan losses. **HSBC is named in five class action lawsuits for alleged predatory lending practices while Mr. Mehta was CEO, including one on behalf of the NAACP.**

More Americans and citizens in Connecticut are looking for work than at any time since 1982, and more of us are suffering foreclosures than at any time since the Great Depression. It is more important than ever that job opportunity in our state be equal and not subject to the credit Catch-22, as this crisis engulfs Americans.

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